

Message Text

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15

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 FEA-02

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00

FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 DRC-01 /210 W

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R 220510Z AUG 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7867

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BONN

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TRIPOLI

UNCLAS TEHRAN 7051

E.O. 11652: N/A

TAGS: ENRG, IR

SUBJ: NIOC AWARDS SERVICE CONTRACTS FOR EXPLORATION & DEVELOPMENT

1. IN RECENT WEEKS NIOC HAS SIGNED NEW EXPLORATION AND DEVELOPMENT
SERVICE CONTRACTS AS FOLLOWS:

(A) WITH C.F.P. FOR WESTERN LAR (8,000 SQ KM). SIGNED JULY 27,
1974. NAME OF CONTRACTOR: TOTAL-IRAN. TERMS: \$6 MILLION CASH
BONUS, \$40 MILLION MINIMUM EXPLORATION EXPENDITURE OVER MAXIMUM
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PERIOD OF 5 YEARS, \$5 MILLION BONUS WHEN PRODUCTION REACHES TOTAL

OF 35 MILLION BARRELS AND \$5 MILLION ADDITIONAL BONUS WHEN PRODUCTION REACHES 70 MILLION BARRELS. DURING 15 YEARS AFTER COMMERCIAL PRODUCTION BEGINS, NIOC WILL SELL 45 PERCENT OF TOTAL PRODUCTION TO CFP AT MARKET PRICE MINUS FIVE PERCENT.

(B) WITH DEMINEX FOR ABADAN PLAIN (7,800 SQ KM). SIGNED JULY 30, 1974. NAME OF CONTRACTOR: DEMINEX-IRAN. TERMS: \$20 MILLION CASH BONUS, \$36 MILLION MINIMUM EXPLORATION EXPENDITURE OVER MAXIMUM PERIOD OF FIVE YEARS, \$3.5 MILLION COMMERCIAL PRODUCTION BONUS. DURING 15 YEARS AFTER COMMERCIAL PRODUCTION BEGINS NIOC WILL SELL 30 TO 45 PERCENT OF PRODUCTION (DEPENDING ON LEVEL OF PRODUCTION) TO DEMINEX AT DISCOUNTS OF 3 TO 3.8 PERCENT OFF MARKET PRICE.

(C) WITH DEMINEX FOR SHIRAZ BLOCK (6,702 SQ KM). SIGNED JULY 30, 1974. NAME OF CONTRACTOR: SAME AS (B) ABOVE. TERMS: \$12 MILLION CASH BONUS, \$32 MILLION MINIMUM EXPLORATION EXPENDITURE OVER FIVE YEARS, \$3.5 MILLION COMMERCIAL PRODUCTION BONUS. REST OF TERMS SAME AS (B) ABOVE.

(D) WITH AMERICAN ULTRAMAR LTD (WHOLLY-OWNED SUBSIDIARY OF ULTRAMAR COMPANY LTD, A BRITISH OIL INVESTMENT HOLDING COMPANY; AMERICAN ULTRAMAR IS THE OPERATING ARM OF ULTRAMAR) FOR SOUTHEASTERN LAR (7,810 SQ KM). SIGNED AUGUST 7, 1974. NAME OF CONTRACTOR: ULTRAMAR IRAN OIL CO. TERMS: \$4.5 MILLION CASH BONUS, \$14 MILLION MINIMUM EXPLORATION EXPENDITURE. DURING 15 YEARS AFTER COMMENCEMENT OF COMMERCIAL PRODUCTION NIOC WILL SELL 50 PERCENT OF CRUDE PRODUCTION TO ULTRAMAR AT DISCOUNT OF FOUR TO FIVE PERCENT OFF MARKET PRICE.

(E) WITH ASHLAND OIL AND PANCANADIAN PETROLEUM FOR NORTHERN LAR (AREA NOT SPECIFIED). SIGNED AUGUST 20, 1974. TERMS PRESUMABLY SIMILAR TO ULTRAMAR'S, BUT DETAILS NOT YET AVAILABLE.

2. NIOC OFFICIAL INFORMED EMBOFF THAT A SIXTH SERVICE CONTRACT WILL BE SIGNED AUGUST 25, 1974, WITH AGIP FOR CENTRAL LAR. THIS WILL BE THE FINAL AWARD IN THIS ROUND OF EXPLORATION BIDDING WHICH BEGAN WITH NIOC'S PRE-ANNOUNCEMENT LAST FALL. ALL THE ABOVE AGREEMENTS PROVIDE FOR NIOC TO TAKE OVER AS OPERATOR ONCE COMMERCIAL PRODUCTION HAS BEGUN. THEY FURTHER PROVIDE THAT EXPLORATION EXPENDITURES AND SIGNATURE BONUSES ARE AT EXCLUSIVE RISK OF THE CONTRACTOR (IN CASE NO COMMERCIAL OIL IS DISCOVERED), AND THAT IN ADDITION TO THE DISCOUNTS SPECIFIED IN PARA 1 ABOVE, CONTRACTORS WILL RECEIVE ADDITIONAL DISCOUNTS SO CALCULATED AS TO AMORTIZE THEIR EXPLORATION AND DEVELOPMENT EXPENDITURES OVER TEN YEARS.

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MEANING OF "MARKET PRICE" APPARENTLY NOT SPECIFIED. NIOC EXPECTS OPEC TO ESTABLISH SO-CALLED "OPEC MARKET PRICES" ONE OF THESE DAYS. NIOC OFFICIAL SAID NIOC WILL PUBLISH BOOKLET EARLY NEXT WEEK GIVING FURTHER DETAILS OF THESE NEW SERVICE CONTRACTS.

HELMS

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